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FISCAL IMPACT STATEMENT

LS 6979

BILL NUMBER: HB 1236

NOTE PREPARED: Jan 7, 2008

BILL AMENDED:

SUBJECT: Local Spending Caps.

FIRST AUTHOR: Rep. Buck

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: The bill provides that certain expenditures of political subdivisions for local fiscal years beginning after December 31, 2008, may not increase more than the lesser of: (1) 3% of the previous budget year's expenditures; or (2) the sum of: (a) the percentage change of the population of the geographical territory of the political subdivision; and (b) the percentage change of the Consumer Price Index for the Midwest Region for all items as published by the Bureau of Labor Statistics; for the immediately preceding budget year.

Effective Date: July 1, 2008.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill establishes a method for determining annual general fund spending caps for political subdivisions beginning in CY 2009, with the requirement beginning in FY 2010 (July 1, 2009 to June 30, 2010) for school corporations.

The bill requires a political subdivision to determine the maximum total expenditure amount from the general fund for an ensuing calendar year budget period based on the maximum total expenditure amount for the current year increased by the lesser of either (1) 3% or (2) an estimate of the composite percentage change in the population of the political subdivision and consumer prices during the current calendar year (see

explanation of composite percentage change below). (Note: The CY 2008 general fund appropriations for a political subdivision would be used in lieu of a computed maximum total expenditure amount to start the procedure under the bill.) The bill requires a similar procedure to be used by school corporations with the ensuing fiscal year maximum total expenditure amount based on the current fiscal year maximum increased by the lesser of either (1) 3% or (2) an estimate of the composite percentage change in population of the school corporation and consumer prices during the current fiscal year.

The composite percentage change is the sum of: (1) the percentage change in the Consumer Price Index for all urban consumers in the Midwest; and (2) the percentage change in the political subdivision's population as determined by the most recent of the federal decennial census, a federal special census, a special tabulation, or a corrected population count. For an ensuing calendar year budget period, the composite percentage change would be the sum of population change in the political subdivision and consumer price change during the immediately preceding calendar year and the first seven months of the current calendar year. For CY 2009, the computation would be based on the January 1, 2007 to July 31, 2008 change in population and consumer prices. For an ensuing fiscal year budget period, the composite percentage change would be the change in population and consumer prices during the immediately preceding fiscal year and the first five months of the current fiscal year. For FY 2010, the computation would be based on the July 1, 2007 to November 30, 2008 change in population and consumer prices.

The bill states that the fiscal body of a political subdivision shall not appropriate more expenditures for the year from the general fund than its spending cap. The bill allows a local spending cap to be increased, if at least one of the following occurs: (1) a spending responsibility has shifted from another level of government to a political subdivision's general fund; (2) a spending responsibility has shifted from another fund to a political subdivision's general fund; or (3) there has been an expansion of services and spending and a tax increase has been dedicated to these services. The bill requires the Department of Local Government Finance to determine the increase in a political subdivision's spending cap. The bill also sets out procedures for the reduction of a local spending cap under certain conditions.

This bill affects appropriations for fiscal years beginning either January 1, 2009 or July 1, 2009. The impact on local spending is indeterminable.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: All political subdivisions.

Information Sources:

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